

CORPORATE AFFORDABLE HOUSING STRATEGY

EXECUTIVE SUMMARY

At the 2016 January 11 Combined Meeting of Council addressing PFC2015-0939: Affordable Housing – Community and Corporate Strategies, Administration was directed to accelerate the update to The City of Calgary's Corporate Affordable Housing Strategy and report back to Council through PFC no later than July 2016.

The Corporate Affordable Housing Strategy (the Strategy; *Attachment 1*), defines a new 10-year strategic direction for The City of Calgary across six objectives, which respond to existing challenges for affordable housing delivery in Calgary. It will clarify The City's mandate for affordable housing delivery, position The City to leverage federal and provincial capital funding to support internal and community development of units, and guide City actions to create safe, affordable homes that support individual and community success and well-being. It is proposed to replace the 2002 Strategy (Council Policy CS007; *Attachment 3*).

The Strategy is accompanied by an initial Implementation Plan (the Plan; *Attachment 2*) that identifies immediate actions for the next two years of this business cycle, which will be considered for mid-cycle adjustments and integration into Action Plan. Progress against these actions will be reported on by Q2 in 2017 and 2018. The Plan also establishes priorities and actions for the next business cycle. The report includes implementation timelines and targeted outcomes.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Approve the Corporate Affordable Housing Strategy and confirm affordable housing as a Council Priority;
2. Approve the Implementation Plan in principle and direct Administration to bring forward budget recommendations for 2017 and 2018 for Council consideration through Action Plan mid-cycle adjustments;
3. Direct Administration to provide a progress update on the Implementation Plan to Council through the Priorities and Finance Committee by Q2 in 2017 and 2018;
4. Rescind the 2002 Corporate Affordable Housing Strategy (Council Policy CS007).

PREVIOUS COUNCIL DIRECTION / POLICY

The existing Corporate Affordable Housing Strategy (Council Policy CS007) has been effective since 2002 July 23. At the 2016 January 11 Meeting of Council, Council directed Administration to: "accelerate the update to The City of Calgary's Corporate Affordable Housing Strategy and report back to Council through PFC no later than July 2016;" and, "support Administration's continued participation in the Community Housing Affordability Collective through December 2016, reporting back to PFC with a completed Terms of Reference by end of Q1, 2016."

At the 2016 March 21 Strategic Session of Council, (C2016-0267), a presentation was provided to Council to discuss the mandate for affordable housing at The City of Calgary and to inform the Corporate Affordable Housing Strategy.

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BACKGROUND

The existing Corporate Affordable Housing Strategy was adopted by Council in 2002 with the intent of positioning The City to take advantage of opportunities that existed at the federal level at that time. Departments from across The Corporation have contributed to the implementation of the Strategy since 2002. Over this 14-year period, approximately \$200 million in federal and provincial funding was used to leverage an approximate 30% contribution of municipal funds, primarily dollars allocated through the Municipal Sustainability Initiative. Funding was used to create 1,048 new affordable housing units, increasing the City portfolio to over 2,100 units.

In addition to building new units, City initiatives have recently shifted in focus to fostering better outcomes and increased self-sufficiency for residents. Improved people-centric service delivery through Calgary Housing Company (CHC) has included initiatives such as the Opportunities for Homeownership program, which provides eligible tenants with information about attainable homeownership opportunities. The City also conducts research, administers programs, and builds partnerships targeted toward improving Calgary's housing system as a whole, for example through the Community Housing Affordability Collective. The recent organizational change to move Calgary Housing into the Community Services department is indicative of this shift in focus, and has allowed for closer alignment with other City business units involved in direct service delivery to Calgarians.

Since 2002, the broader Canadian political context for affordable housing has shifted significantly. While Calgary's need for affordable housing has remained constant over the past 20 years at approximately 19% of all households, capital funding from other orders of government declined. No new funding was committed to affordable housing between 2011 and 2015. The City's affordable housing development program is currently deploying the last of the funding that was allocated prior to 2012. Demand for affordable housing remains strong, as evidenced by the 88,000 Calgary households currently earning less than 65% of area median income and spending more than 30% of their income on housing costs, and by CHC's current wait list of 4,000 households.

However, the recent 2016 federal and provincial budgets each demonstrate a renewed commitment to affordable housing, with a pledged federal investment of \$2.3 billion over two years and provincial investment of \$892 million over five years for new construction and preservation of existing units. Regulatory and policy changes underway in Alberta and across Canada will also impact affordable housing delivery in the near future, including the provincial review of regulations under the *Alberta Housing Act*, ongoing conversations with the province around the development of a Calgary City Charter and a Provincial Housing Strategy, and the federal government's promise to release a National Housing Strategy over the next year.

In this context, there is substantial opportunity for municipal leadership. In recent months, other Canadian cities have shown initiative through actions such as pledging City-owned land to leverage federal dollars for affordable housing, making capital grants available for new construction, and investigating new models to restructure and rationalize existing social housing portfolios.

The updated Strategy reflects these current opportunities and clarifies The City of Calgary's mandate in relation to affordable housing over the next 10 years. A clear strategic direction relevant to the current political context that formalizes affordable housing as a Council Priority is

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necessary for The City to capture and optimize use of federal and provincial funding, effectively support partner organizations to improve their own delivery of units and services, and maintain a seat at the table with other orders of government to shape provincial and national policy decisions. Continued investment in affordable housing will create jobs, strengthen residents' purchasing power to boost the local economy, attract employers with the promise of a stable workforce, reduce pressure on hospitals and corrections facilities, and lower City spending on policing, by-law, and fire services. Results from Housing First programs piloted in Calgary as one of Alberta's Seven Cities have shown that providing housing to one homeless person yields \$34,000 in annual savings to taxpayers.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Corporate Affordable Housing Strategy

The Strategy clarifies The City's mandate in delivering affordable housing and establishes a strategic direction to guide City actions over the next 10 years. The Strategy's vision is for The City to: (1) Enable a transformed housing system in Calgary, where collaboration between stakeholders drives better outcomes for individuals and communities, and (2) Contribute to an increase in non-market housing supply sufficient to house 6% of all households in Calgary, consistent with the national average.

Formalizing affordable housing as a clear Council Priority will be crucial to realizing this vision. Prioritizing affordable housing means:

- Using a Corporate approach to meet affordable housing objectives, seeking out creative solutions through collaboration and experience in service delivery.

- Systematically identifying and prioritizing opportunities to integrate affordable housing into City projects and initiatives.

- Proactively considering how City policies and decisions may affect affordable housing supply or delivery, mitigating negative impacts where necessary.

- Utilizing all appropriate municipal tools to enable affordable housing development and support affordable housing providers.

- Targeting advocacy and collaboration with other orders of government to ensure that affordable housing policies and programs meet the needs of Calgarians.

- Supporting affordable housing residents with municipal services that enable individual and community well-being.

The Strategy sets a strategic direction across six objectives, which respond to existing challenges for affordable housing delivery in Calgary. Details regarding these objectives are provided in *Attachment 1*, Corporate Affordable Housing Strategy.

Implementing the Strategy

The 10-year Strategy will be realized through a series of implementation plans that align with the current City budget and planning cycle. The initial Plan identifies immediate and mid- and long-term actions to progress against the six objectives described above. Immediate actions will be enacted through the current business plans and annual work programs pending consideration of budget adjustments in 2017. Following Implementation Plan updates by Q1 and Q2 2018, medium and longer-term actions will be incorporated into the 2019-2022 Business Plan and Budget. Updates will also be provided to members of Council by-annually.

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Stakeholder Engagement, Research and Communication

The Strategy and the Plan were developed following extensive consultation with all City departments impacted by the proposed actions. In addition, The City conducted engagement over several months with over 30 external non-profit and private sector housing providers, as well as stakeholders from across the housing spectrum. The City also leveraged input from the 22 stakeholder organizations in the Community Housing Affordability Collective. Feedback from these stakeholders was instrumental in shaping The City's strategic direction and implementation actions.

Key findings from stakeholder engagement include the following:

Lack of housing supply

There is widespread consensus that the primary challenge facing Calgary's affordable housing providers is a lack of housing supply. A shortage of permanent affordable units prevents providers from moving clients efficiently through transitional housing and jeopardizes the success of Housing First programs to address homelessness. Established non-market rental providers struggle to grow their programs and services to the scale of the need in Calgary. All housing providers interviewed agreed that supply of new units should be The City's top priority.

Concern that The City has not historically treated affordable housing as a priority

Many stakeholders expressed that affordable housing is not consistently treated as a priority by The City. Some housing providers expressed frustration with The City's planning and development review processes, citing the need for shorter approval timelines and more predictable outcomes. They emphasized that any development delays substantially impact a project's overall feasibility and ability to offer discounted rents. Additionally, housing providers expressed confusion around the criteria and processes for contributions of City land for affordable housing projects. In the absence of transparent criteria, land transactions are often perceived as being driven by relationships. More generally, a lack of clarity around how The City defines affordable housing and what types of projects it will support means that developers are unable to plan projects to capture City incentives and target the need in Calgary.

Engagement and collaboration with the affordable housing community will be ongoing as projects are implemented, as many action items rely on closer working relationships with external stakeholders, as well as multi-stakeholder groups, to drive better outcomes for individuals and communities.

Strategic Alignment

The Strategy will help to advance the goals and policies of existing City plans that call for increased housing affordability to meet the diverse needs of Calgarians. The Strategy is aligned with the 60-year Calgary Municipal Development Plan which includes the following objective under Part 2.3.1: Housing: "Ensure a choice of housing forms, tenures and affordability to accommodate the needs of current and future Calgarians and create sustainable local communities." Additionally, the City of Calgary Action Plan 2015-2018 includes Strategy P6, "Increase affordable and accessible housing options," under its area of focus for a prosperous city.

The Strategy is also well aligned to the goals of multiple external plans. Calgary's Updated Plan to End Homelessness (2015) includes "Increasing housing & supports and affordable housing

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options” as a priority direction. The Seniors Age Friendly Strategy and Implementation Plan (2015) includes a strategy to “Support policy changes and initiatives to increase overall affordable housing supply through the Community Affordable Housing Strategy” (Priority III, Result 2, Strategy A). The Calgary Economic Development Strategy (2014) includes an action to “Build a range of housing options for all ages, income groups and family types to meet the needs of residents today and tomorrow” (Community Energy, Strategy 1, Action 1). The Enough For All Poverty Reduction Initiative (2013) proposes actions to “enhance access to affordable housing” under Priority 4.3.3: “Ensure people’s basic needs are met.”

Social, Environmental, Economic (External)

A fully mixed housing market creates and retains jobs, attracts new workers, assuages poverty, meets the needs of seniors and families, and keeps our most vulnerable residents off the street. This in turn reduces financial stress on the health care system, the justice system, policing, social services, City Administration and other municipal and provincial services. Adequate housing enables all Calgarians to maximize their contributions to the wider community. The City of Calgary has an opportunity to create better outcomes for individuals and communities through safe, affordable housing solutions.

Financial Capacity

Current and Future Operating Budget:

The Plan will be implemented in 2016 through the existing operating budget. Recommendations regarding a one-time operating budget increase of about \$1.5M per year for two years, funded through the Public Housing Reserve, will be presented as an investment package in the mid-cycle adjustment process for the 2017 and 2018 Business Plan and Budget. These resources are required to invest in key initiatives to get Calgary building new affordable housing, leverage land, improve the housing system, as well as to initiate pilot programs and services that support positive outcomes for tenants. It is important to note that progress against the targets in the Implementation Plan will be impacted by this budget decision. Future budget considerations will be incorporated into the 2019-2022 Business Plan and Budget process.

Current and Future Capital Budget:

The Plan will be implemented in 2016-2018 through existing capital budgets. Future budget considerations will be incorporated into the 2019-2022 Business Plan and Budget process.

Risk Assessment

The goals defined in the Strategy and Plan, particularly the short-term targets, are ambitious, and support resources across the organization to achieve. The need for additional capacity will be addressed through the mid-cycle adjustment process for the 2017 and 2018 Business Plan and Budget. Progress against short term targets will be impacted by this budget decision.

The City’s progress could also be impacted by several factors outside the control of Council and Administration. Capital funding for affordable housing remains primarily a provincial and federal responsibility. It is possible that other orders of government may not deliver on their 2016 budget commitments, or may not allocate funds to Calgary as expected. Adverse funding or policy decisions by other orders of government, particularly as governments change over the 10 year outlook, could significantly impact The City’s ability to make progress against its goals for affordable housing supply and improved outcomes for Calgarians.

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There is also significant risk associated with inaction should The City choose not to adopt an ambitious Strategy. If The City does not demonstrate leadership in affordable housing, it will likely be unable to effectively compete with other local jurisdictions for federal and provincial funding. Without municipal leadership, Calgary's affordable housing need will continue to grow. Negative social and economic impacts will be felt at the local level, including increased homelessness, poverty, crime, and reliance on emergency services. Additionally, failure to adequately house the local workforce could result in a potential loss of investment in Calgary over the long term as employers struggle to attract and retain workers.

REASON(S) FOR RECOMMENDATION(S):

Administration seeks endorsement of the Corporate Affordable Housing Strategy and Implementation Plan, with direction to return to Council for budget requirements through the mid-cycle adjustment process. At this critical time for affordable housing, the updated Strategy will allow The City to capitalize on current provincial and federal support to drive local solutions. The Strategy reflects extensive feedback from community engagement, positioning The City to break down silos, support partner organizations, and strengthen the sector as a whole. By making affordable housing a clear Council Priority, there is reason to believe that The City can advance the actions in its Plan and make substantial progress toward providing housing to the 88,000 Calgary households that need it.

ATTACHMENT(S)

1. 2016-2025 Corporate Affordable Housing Strategy
2. 2016-2022 Corporate Affordable Housing Strategy Implementation Plan
3. CS007 - 2002 Corporate Affordable Housing Strategy (to be rescinded)